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NATIONAL SECURITY

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Testimony of Rep. Cardiss Collins
Before the Small Business Subcommittee on Minority Enterprise
Finance and Urban Development
on Discrimination in the Telecommunications Industry
Friday, May 20, 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. Chairman, in 1879 the first telephone switchboard in this country was established in my city of Chicago. Then, as now, in those early years right after the great Chicago fire, the leaders of the community were pinning some of their most fervent hopes for the future on telecommunications services. I am sure that at that time no one would have ever predicted we would be here today on the verge of another quantum leap in the technology and capability that will be available to the average citizen and which may provide us with such promise for a bright economic future.

Unfortunately there are troubling signs on the horizon for disadvantaged businesses and minority households. Unless the Congress and government regulators are extremely careful, everyone will not receive the same benefit from the enormous change that is about to occur. Systematic as well as inadvertent discrimination on the part of the telecommunications industry and on government entities regulating this industry could hijack the information superhighway, diverting it from even touching minority communities and entrepreneurs.

VIDEO DIALTONE

An example of the practices that unless corrected will have a devastating affect on minority communities is the lack of universal distribution of new information services. I have seen a preliminary copy of work being done by The United Church of Christ Office of Communications, the Consumer Federation of America, and several other public interest groups. Their initial analysis points to some very disturbing trends. Actions taken by the Regional Bell Operating Companies leave great reason for concern that they will not be including areas in which minorities live and work in their initial deployment of Video dialtone service.

I hold here a map of the Chicagoland area that I will submit for the record, which shows the areas in which Ameritech is proposing to provide video dialtone service vis a vis the areas populated by minority households. Almost without exception the areas in which they would initially deploy video dialtone services are communities in which minority households make up less than 20% of the population. The map shows that minorities account for 0 to 5

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percent of the population in 8 municipalities that will receive video dialtone service and account for 5 to 20 percent of the population in 14 municipalities. Clearly lower income areas and areas with higher minority populations are excluded from the proposed video dialtone service areas. The United Church of Christ, the Center for Media Education, the Consumer Federation, the NAACP and the National Council of La Raza have all been looking into this particular example and have found some shocking problems which they will be voicing in the next few days.

There may be many excuses offered for this behavior but its affect can not be disputed. Businesses and individuals in communities with large minority populations will not have access to the same range of services and opportunities that may be available to others.

This kind of redlining is precisely the type of problem that will virtually ensure that minority businesses and households are not able to participate in the gains that are promised by new telecommunications technology. Initial participation in new technologies is paramount to businesses who must be able to use all new technological applications in order to compete in the marketplace. It is also imperative for all households to be able to take advantage of the services available to them as they are developed and come on line. As we construct this new playing field we must make sure that those individuals, institutions and business entities that are on the fringe or are traditionally the last to benefit from major technological changes are not left behind in the opportunities that become available.

CORRECTING BARRIERS THAT PRECLUDE MINORITY PARTICIPATION IN TELECOMMUNICATIONS

In the Energy and Commerce Full Committee markup of H.R. 3636, the bill which would allow cable and bell operating companies into each others lines of business, I successfully offered two amendments which will go a long way toward correcting some of the barriers to minority participation in the telecommunications industry, both as users and as providers of services. The first amendment requires the FCC in consultation with the National Telecommunications and Information Administration (NTIA) to take a look at ways to make sure that our small and minority businesses as well as nonprofit communities are not left on the access road while the big guys and gals tool down the communications super highway. The language of my amendment will require a rulemaking on the part of the FCC on ways to surmount barriers to access that may impede small businesses, minority-owned businesses and small nonprofit organizations from taking advantage of the communication opportunities that H.R.3636 will provide for others.

The barriers to small and disadvantaged businesses are not unknown to the FCC. Its own Small Business Advisory Committee recently has found that

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entry opportunities for small service providers have been constrained in existing telecommunications markets by undercapitalization and concentration of ownership which exclude businesses owned by minorities and women. Capital formation continues to be the major economic barrier to full participation by small and minority owned businesses. this is especially true with respect to new communications industries. (Report of the FCC Small Business Advisory Committee to the FCC, Gen. Docket No. 90-314, September 15, 1993).

PERSONAL COMMUNICATIONS SERVICES (PCS)



The Commission has an ideal opportunity to effectuate the policy underlying my provision in H.R.3636 when it adopts licensing rules for broadband personal communications services (PCS). In their rulemaking the Commission should designate frequencies and provide flexible financing measures to SDBs to lower the entry barriers faced by small businesses and businesses owned by minorities and women effectively and fully. Such measures would act as safeguards against excessive ownership concentration in the telecommunications industry and promote marketplace penetration by these entities.

My second amendment contains language which will make certain that telecommunications firms will forge new relationships with small, women and minority-owned firms. It requires telecommunications providers to submit annually detailed and verifiable plans for increasing procurement from business enterprises that are owned by minorities and women in all categories of procurement in which minorities are under-represented. The FCC shall report to the Congress on the progress of these activities and recommend legislative solutions as it deems necessary. It is my hope that the existence of this language may bring about increased availability of venture capital and increased research and development funding for new and existing small, minority-owned companies.






Mr. Chairman, clearly we are in the midst of a sea-change in the telecommunication arena. Our careful actions will have great import to the future of this country. The inclusion or exclusion of minority households and firms in the services and businesses of this industry will determine the future fate of all minority business enterprises. Again, I thank you and the other members of this committee for convening this extremely important hearing.

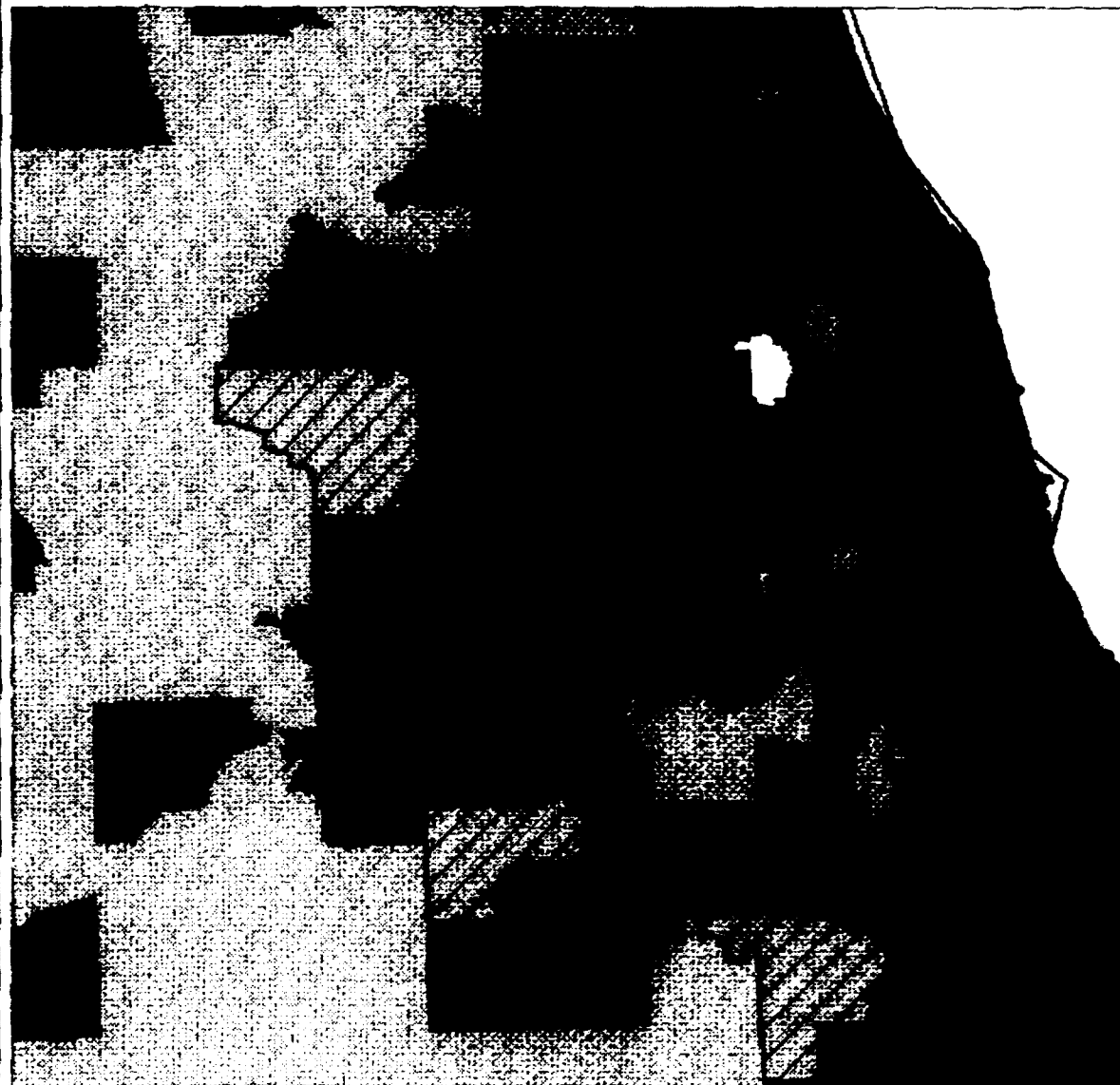
PERCENT MINORITY ANALYSIS **INITIAL DEPLOYMENT OF VIDEO DIALTONE SERVICE** **(FULLY AFFECTED MUNICIPALITIES)**

KEY

-  FULLY AFFECTED MUNICIPALITIES
-  ILLINOIS STATE BOUNDARY

PERCENT MINORITY

-  0% to 5%
-  5% to 20%
-  20% to 40%
-  40% to 60%
-  60% to 100%



Miles
0 5 10



Prepared by: PJ Simonik Demo -Graphics